

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

MATSUNOKI GROUP, INC., doing business
as HAIKU HOUSES,

Plaintiff,

v.

TIMBERWORK OREGON, INC.; TIMBERWORK,
INC.; JOAN L. SHUELL; EARL MAURY
BLONDHEIM; DON PAUL; ILENE ENGLISH-
PAUL; and DOES 1 through 10,
inclusive,

Defendants.

No. C 08-04078 CW

ORDER DENYING
PLAINTIFF'S
MOTION FOR LEAVE
TO FILE MOTION
FOR
RECONSIDERATION
(Docket No. 177);
DEFENDANTS'
MOTION FOR
CERTIFICATION FOR
INTERLOCUTORY
APPEAL
(Docket No. 183);
AND PLAINTIFF'S
MOTION TO EXCLUDE
EXPERT TESTIMONY
(Docket No. 227)

This order addresses three pending motions in the above captioned case. Plaintiff Matsunoki Group, Inc. seeks leave from the Court to file a motion for reconsideration. Docket No. 177. Defendants Timberwork, Inc.¹ and Earl Blondheim (collectively Timberwork) seek certification for an interlocutory appeal of the Court's order granting Matsunoki's motion for relief from judgment. Docket No. 183. Matsunoki has also moved to exclude certain expert testimony. Docket No. 227. Having considered all of the papers submitted by the parties, the Court DENIES all three motions.

BACKGROUND

This is a copyright and trademark infringement case about custom-built Japanese pole-style houses. Matsunoki brings claims

¹ Plaintiff erroneously sued Timberwork Oregon, Inc.

1 against Timberwork, Don Paul and Ilene English-Paul for copyright,
2 trademark and trade dress infringement, false designation of origin
3 and unfair competition.²

4 On April 16, 2010, the Court granted Timberwork's motion for
5 summary judgment against Matsunoki on all of its claims, including
6 Matsunoki's copyright claims.³ The parties disputed whether
7 Matsunoki could prove ownership of the copyrights for seven
8 publications at the center of the dispute. Matsunoki presented
9 evidence that its predecessor Landmark Architecture and Design
10 owned the copyrights, but failed to present evidence that those
11 copyrights had been transferred to Matsunoki. Landmark was
12 administratively dissolved as a corporation on November 6, 2006.
13 The Court stated, "Because Matsunoki presents no evidence that it
14 currently owns the copyrights at issue, and it is not clear when
15 and if it will obtain those copyrights by assignment, the Court
16 concludes that Matsunoki cannot bring any claims for copyright
17 infringement. Therefore, Matsunoki's copyright claims fail."
18 Order Granting Mot. Summ. J. at 12.

19 Subsequently, Matsunoki moved the Court for relief from
20 judgment under Federal Rule of Civil Procedure 60(b), presenting
21 evidence of the following two developments: (1) on January 7, 2010,
22 the Tennessee Secretary of State reinstated Landmark as a
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24 ² The Court previously dismissed claims against Joan Schuell
25 for lack of personal jurisdiction. Docket No. 59. Defendants Don
26 Paul and Ilene English-Paul are unrepresented by counsel and have
not joined Timberwork's motion for certification.

27 ³ In this order the Court also summarily adjudicated the
28 claims against Don Paul and Ilene English-Paul in their favor.

1 corporation in good standing, and (2) on February 26, 2010,
2 Landmark assigned in writing all of its intellectual property to
3 Matsunoki. On September 3, 2010, the Court granted Matsunoki's
4 motion for relief from judgment on the basis of the two new
5 developments.

6 I. Timberwork's Motion for Certification under 28 U.S.C. § 1292(b)

7 Timberwork requests that the Court certify for interlocutory
8 appeal its order relieving Matsunoki from judgment. Timberwork
9 identifies two questions of law that it seeks to appeal:

10 (1) Whether the reinstatement of Landmark and assignment of
11 the assets to Matsunoki constitutes "newly discovered
12 evidence" within the meaning of Rule 60(b)(2); and

13 (2) Whether Matsunoki exercised due diligence to discover this
14 evidence.

15 Pl.'s Mot. at 4.

16 A. Legal Standard

17 Pursuant to 28 U.S.C. § 1292(b), a district court may certify
18 an appeal of an interlocutory order only if three factors are
19 present. First, the issue to be certified must involve a
20 "controlling question of law." 28 U.S.C. § 1292(b). Establishing
21 that a question of law is controlling requires a showing that the
22 "resolution of the issue on appeal could materially affect the
23 outcome of litigation in the district court." In re Cement
24 Antitrust Litig., 673 F.2d 1020, 1026 (9th Cir. 1982) (citing U.S.
25 Rubber Co. v. Wright, 359 F.2d 784, 785 (9th Cir. 1966)). The
26 Seventh Circuit has explained:

27 We think [Congress] used "question of law" in much the
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1 same way a lay person might, as referring to a "pure"
2 question of law rather than merely to an issue that
3 might be free from a factual contest. The idea was that
4 if a case turned on a pure question of law, something
5 the court of appeals could decide quickly and cleanly
6 without having to study the record, the court should be
7 enabled to do so without having to wait until the end of
8 the case.

9 Ahrenholz v. Bd. Trustees of Univ. of Ill., 219 F.3d 674, 676-77
10 (7th Cir. 2000).

11 Second, there must be "substantial ground for difference of
12 opinion" on the issue. 28 U.S.C. § 1292(b). A substantial ground
13 for difference of opinion is not established by a party's strong
14 disagreement with the court's ruling; the party seeking an appeal
15 must make some greater showing. Mateo v. M/S Kiso, 805 F. Supp.
16 792, 800 (N.D. Cal. 1992), abrogated on other grounds by Brockmeyer
17 v. May, 361 F.3d 1222, 1226-27 (9th Cir. 2004).

18 Third, it must be likely that an interlocutory appeal will
19 "materially advance the ultimate termination of the litigation."
20 28 U.S.C. § 1292(b); Mateo, 805 F. Supp. at 800. Whether an appeal
21 will materially advance termination of the litigation is linked to
22 whether an issue of law is "controlling" in that the court should
23 consider the effect of a reversal on the management of the case.
24 Id. In light of the legislative policy underlying § 1292, an
25 interlocutory appeal should be certified only when doing so "would
26 avoid protracted and expensive litigation." In re Cement, 673 F.2d
27 at 1026; Mateo, 805 F. Supp. at 800. If, in contrast, an
28 interlocutory appeal would delay resolution of the litigation, it
should not be certified. See Shurance v. Planning Control Int'l,
Inc., 839 F.2d 1347, 1348 (9th Cir. 1988) (refusing to hear a

1 certified appeal in part because the Ninth Circuit's decision might
2 come after the scheduled trial date).

3 All three requirements under 28 U.S.C. § 1292(b) must be met
4 for certification to issue. Best Western Int'l, Inc. v. Govan,
5 2007 U.S. Dist. LEXIS 39172, *9 (D. Ariz.). "Section 1292(b) is a
6 departure from the normal rule that only final judgments are
7 appealable, and therefore must be construed narrowly." James v.
8 Price Stern Sloan, Inc., 283 F.3d 1064, 1068 n.6 (9th Cir. 2002).
9 Thus, the court should apply the statute's requirements strictly,
10 and should grant a motion for certification only when exceptional
11 circumstances warrant it. Coopers & Lybrand v. Livesay, 437 U.S.
12 463, 475 (1978). The party seeking certification of an
13 interlocutory order has the burden of establishing the existence of
14 such exceptional circumstances. Id. A court has substantial
15 discretion in deciding whether to grant a party's motion for
16 certification. Brown v. Oneonta, 916 F. Supp. 176, 180 (N.D.N.Y.
17 1996) rev'd in part on other grounds, 106 F.3d 1125 (2nd Cir.
18 1997).

19 B. Discussion

20 Timberwork has identified controlling issues for appeal; if
21 the Court's order relieving Matsunoki from judgment were reversed,
22 the judgment would be reinstated and the case closed.

23 However, Timberwork has failed to identify a substantial
24 ground for difference opinion as to the controlling question of
25 law. Timberwork extensively cites facts, and asserts that a
26 substantial difference of opinion exists as to whether Matsunoki's
27 assignment constitutes "newly discovered evidence," and whether
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1 Matsunoki acted with "due diligence." However, disagreement with
2 the way the Court applied settled law to the particular facts in
3 this case does not satisfy the requirements under 28 U.S.C. §
4 1292(b), even if the moving party's disagreement with the court's
5 order is "vehement." Best Western Int'l, 2007 U.S. Dist. LEXIS at
6 *27.

7 Timberwork has not identified any lack of precedent within the
8 Ninth Circuit, or conflicting decisions in other circuits, in
9 support of its motion for certification. APCC Services, Inc. v.
10 AT&T Corp., 297 F. Supp. 2d 101, 107 (D.D.C. 2003) ("A substantial
11 ground for difference of opinion is often established by a dearth
12 of precedent within the controlling jurisdiction and conflicting
13 decisions in other circuits."). Timberwork cites one Ninth Circuit
14 decision on the question of what constitutes "newly discovered
15 evidence." In Feature Realty Inc. v. City of Spokane, the Ninth
16 Circuit denied the plaintiff's Rule 60(b) motion, rejecting the
17 argument that the evidence was "newly discovered" when plaintiff
18 learned of it eight days before judgment was rendered. 331 F.3d
19 1082, 1093 (9th Cir. 2003). Riverbend Ranch Golf Course v. County
20 of Madera, 2005 U.S. Dist. LEXIS 29497 (E.D. Cal.), is a lower
21 court decision that does not give rise to a circuit split.
22 Furthermore, Riverbend Ranch is consistent with Feature Realty,
23 because it also holds, "Evidence is not newly discovered under the
24 Federal Rules if it was in the moving party's possession at the
25 time of trial or could have been discovered with reasonable
26 diligence." Id. at *5. Although Timberwork bears the burden of
27 persuading the Court to certify an interlocutory appeal, it
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1 identifies no lack of authority and presents no substantial
2 disagreement among courts as to what constitutes due diligence.

3 Timberwork's motion also falters because it will likely delay
4 the resolution of this case. Trial in this matter is currently
5 scheduled for July, 2011. The issues that Timberwork seeks to
6 appeal are not weighty matters that are likely to be expedited on
7 appeal. Fact discovery on this case closed on December 20, 2010,
8 and expert discovery will end on February 19, 2011. All case
9 dispositive motions are to be heard on or before April 8, 2010.
10 Consequently, Timberwork has not established that an immediate
11 appeal may materially advance the ultimate termination of the case.

12 Because a district court's certification is reserved for
13 exceptional circumstances, and Timberwork has failed to satisfy all
14 requirements under 28 U.S.C. § 1292(b), the Court denies the motion
15 for certification.

16 II. Matsunoki's Motion for Leave to Move for Reconsideration

17 A. Legal Standard

18 This Court's Local Rule 7-9(b)(3) permits the reconsideration
19 of an interlocutory order if there was a manifest failure by the
20 Court to consider material facts or dispositive legal arguments
21 which were presented to the Court before such order was issued. A
22 party moving for leave to file a motion for reconsideration,
23 however, may not repeat any argument made earlier in support of or
24 opposition to the interlocutory order. L.R. 7-9(c)

25 B. Discussion

26 Matsunoki's request for reconsideration reiterates arguments
27 made in response to Timberwork's motion for summary judgment,
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1 already rejected by the Court, and attempts to raise new arguments.
2 Matsunoki attacks the Court's ruling that it unduly delayed in
3 filing suit, by arguing that the cease and desist letter was
4 narrowly written. The Court, however, has already ruled on the
5 letter's broad wording. Order, 13-14. Matsunoki further asserts
6 that the laches defense does not apply to the Pauls, and that
7 Steen's death did not prejudice Defendants, and points to a legal
8 test for the applicability of the laches defense, which no party
9 briefed, and the Court did not apply in its summary judgment order.
10 E-Systems, Inc. v. Monitek, 720 F.2d 604, 607 (9th Cir. 1983).
11 Although Matsunoki did not raise these arguments in prior briefing,
12 they do not present newly established evidence or law. Because
13 Civil Local Rule 7-9 is not intended to allow parties to repeat
14 prior argument or present new arguments that could have been raised
15 earlier, the Court need not entertain Matsunoki's request to
16 reconsider.

17 Even if the Court were to consider Matsunoki's new arguments,
18 the outcome on summary judgement would remain the same. Matsunoki
19 raises, for the first time, a six factor test used to determine
20 whether laches will bar relief from trademark infringement.

21 Notably, Matsunoki's motion for reconsideration neglects to apply
22 the standard to the particular facts of this case. The Court's
23 application, however, demonstrates that the test does not change
24 its finding that laches provides a valid defense for Timberwork.

25 The six E-Systems factors are: "1) the strength and value of
26 trademark rights asserted; 2) plaintiff's diligence in enforcing
27 the mark; 3) harm to senior user if relief denied; 4) good faith

1 ignorance by junior users; 5) competition between senior and junior
2 users; and 6) extent of harm suffered by junior user because of
3 senior user's delay." 720 F.2d at 607; see also Tillamook Country
4 Smoker, Inc. v. Tillamook County Creamery Ass'n, 465 F.3d 1102,
5 1008 (9th Cir. 2006)(applying two of the six E-Systems factors, the
6 plaintiff's diligence in enforcement and the defendant's good faith
7 use).

8 These factors weigh in Timberwork's favor. The Haiku Houses
9 marks have value and have provided for a measure of Timberwork's
10 business success. Matsunoki has been less than diligent in
11 enforcing its rights. Considering its knowledge about Timberwork
12 and Timberwork's direct assertion in 2001 that it owned the marks,
13 Matsunoki could have acted sooner than 2008, when it finally filed
14 suit. Nearly a decade after the cease and desist letter from
15 Matsunoki, and after seven years of silence from Matsunoki,
16 Timberwork risks losing the marks and its business. Matsunoki was
17 not ignorant of Timberwork's ongoing existence or activities during
18 this time. The companies formerly worked together. Competition
19 exists, although Matsunoki is based in Tennessee, and Timberwork is
20 based in California. In light of Matsunoki's silence, Timberwork
21 proceeded with its business, taking on more clients and involving
22 the Pauls to increase its marketing and sales activities. Overall,
23 these facts make clear that Matsunoki was less than diligent in
24 enforcing its rights, and Timberwork acted in good faith.

25 Matsunoki asserts another new argument, distinguishing between
26 Defendants Timberwork and the Pauls. Nevertheless, Matsunoki's
27 claims against the Pauls are barred by laches, just as the defense
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1 applies to Timberwork. "This defense embodies the principle that a
2 plaintiff cannot sit on the knowledge that another company is using
3 its trademark, and then later come forward and seek to enforce its
4 rights." Internet Specialties West, Inc. v. Milon-Didiorgio
5 Enterprises, Inc., 559 F.3d 985, 980-90 (9th Cir. 2009). The test
6 of laches is two-fold: "first, was the plaintiff's delay in
7 bringing suit unreasonable? Second, was the defendant prejudiced
8 by the delay?" Id. at 990.

9 If a plaintiff filed suit within the limitations period for
10 the analogous action at law, there is a presumption that laches in
11 inapplicable. Jarrows Formulas, Inc. v. Nutrition Now, Inc., 304
12 F.3d 829, 835. The parties agree that the four-year limitations
13 period from California trademark infringement law is the most
14 analogous. Matsunoki points out that the Pauls did not become
15 involved in the business until 2004, at the earliest. As a result,
16 Matsunoki argues that the lawsuit against the Pauls is within the
17 four-year statute of limitations period, and no presumption in
18 favor of laches applies. Nevertheless, the Pauls are protected
19 under a theory of agency. The Pauls acted on behalf of Timberwork,
20 marketing its products and services with Timberwork's
21 authorization. The Pauls did not act independently of Timberwork.
22 The Pauls acquired and used the marks through Timberworks, and
23 should be treated as identically situated.

24 Even if no presumption of laches applies, the equitable
25 principles are not entirely barred from consideration in the claims
26 against the Pauls. "The limitations period for laches starts when
27 the plaintiff 'knew or should have known about its potential cause
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1 of action.'" Tillamook Country Smoker, 465 F.3d at 1108. As of
2 2001, Matsunoki was aware of Timberwork's use of the marks.
3 Matsunoki sent a cease and desist letter that same year.
4 Timberwork responded to the letter, insisting that Timberwork had
5 ownership of the trademarks. Timberwork carried on with its
6 business. Matsunoki knew that it had potential causes of action
7 with respect to Timberwork, and should have known that Timberwork
8 might involve other parties to conduct their business.
9 Timberwork's insistence that it was the mark owner, and its
10 continued use of the marks, increased the likelihood that it would
11 involve third parties, like the Pauls, and thus increased the risk
12 that the marks were being used widely without authorization.
13 Matsunoki either knew or should have known about the Pauls' role,
14 and therefore the limitations period for laches includes them.

15 The two-prong test for laches, weighing the reasonableness of
16 Matsunoki's delay and the prejudice suffered by the Pauls, also
17 supports an outcome in the Pauls' favor. Matsunoki's delay was
18 unreasonable, because it was well aware that Timberwork continued
19 to conduct its business using the marks, and Timberwork might
20 involve third parties in that course of conduct. The Pauls were
21 acting in good faith, not knowing about the dispute that had arisen
22 in 2001. Likewise, Matsunoki's delay prejudiced the Pauls.
23 Steen's death deprived the Pauls of testimony that could have
24 clarified the intellectual property's authorship and transfer.
25 Greater clarity about these facts would have aided the fair
26 resolution of these claims.

1 III. Matsunoki's Motion to Exclude Expert Testimony

2 On February 15, 2011, Matsunoki moved to exclude the expert
3 testimony of Jerry P. Loving. Docket No. 227. The Court denies
4 Matsunoki's motion without prejudice because it does not comply
5 with the Court's case management order. Docket No. 41. Motions in
6 limine may be made only in accordance with the Court's order for
7 pre-trial preparation, and heard at the final pre-trial conference,
8 absent the Court's permission, for good cause shown. All other
9 motions, except discovery motions, must be included in a single
10 round of briefing and noticed to be heard on April 8, 2011.

11 CONCLUSION

12 The Court DENIES Timberwork's motion for certification of an
13 interlocutory appeal, and Matsunoki's motion for leave to file a
14 motion for reconsideration. The Court also DENIES, without
15 prejudice, Matsunoki's motion to exclude the expert testimony of
16 Jerry P. Loving.

17 IT IS SO ORDERED.

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19 Dated: 2/18/2011



CLAUDIA WILKEN
United States District Judge